

## Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

COME-00 TRSE-00 OPIC-03 XMB-02 AID-05 /073 W

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R 300831Z JUL 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 728

INFO AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: EINV, MY

SUBJ: INDUSTRIAL COORDINATION ACT (ICA)

REF: KUALA LUMPUR 4174

1. INDUSTRIAL COORDINATION ACT (ICA) CONTINUES TO PROVOKE CONSIDERABLE INTEREST IN PRESS AND IN PRIVATE BUSINESS COMMUNITY. ON JULY 23, NEW STRAITS TIMES (NST) CARRIED ARTICLE REPORTING ESTABLISHMENT OF JOINT PRIVATE INDUSTRY-GOVERNMENT PANEL TO STUDY IMPLEMENTING REGULATIONS OF ICA. THIS WAS ANNOUNCED DURING MEETING BETWEEN MINISTER OF TRADE AND INDUSTRY (MTI) DATUK HAMZAH ABU SAMAH, AND -36-MAN DELEGATION FROM CHINESE CHAMBER OF COMMERCE.

2. ON FOLLOWING DAY, NST CARRIED UNUSUAL CRITICAL EDITORIAL OF BOTH HAMZAH AND MTI FOR BEING PARTLY RESPONSIBLE FOR "LACK OF UNDERSTANDING" OF ACT ON PART OF BUSINESSMEN. EDITORIAL WELCOMED ESTABLISHMENT OF JOINT COMMITTEE BUT OPINED THAT "SUCH A BODY SHOULD HAVE BEEN ESTABLISHED MONTHS AGO, BEFORE OR VERY SHORTLY BEFORE ACT WAS PASSED." EDITORIAL ALSO QUESTIONED HAMZAH'S PREDICTION IN DEWAN RAKYAT THAT

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ICA WOULD "ATTRACT MORE INVESTORS AND INSTILL CONFIDENCE

IN COUNTRY'S INDUSTRIAL POLICY." GOVERNMENT ADVISED TO ALLOW JOINT COMMITTEE TO PLAY ACTIVE ROLE IN REVIEWING DRAFT REGULATIONS.

3. COMMERCIAL OFFICER CALLED ON YAP WING CHUN, SECRETARY, FEDERATION OF MALAYSIAN MANUFACTURERS (FMM), TO DISCUSS THESE DEVELOPMENTS AND CHINESE BUSINESS COMMUNITY'S REACTION TO THEM. YAP MAINTAINED THAT CRITICAL EDITORIAL WAS RESULT OF MEETING BETWEEN REPORTER FROM NST AND FMM REPRESENTATIVES. ACCORDING TO YAP, GROUP HAD LONG AND PRODUCTIVE SESSION WITH REPORTER, DURING WHICH THEY EXPLAINED IN DETAIL PROBLEMS ICA WAS CAUSING PRIVATE SECTOR. ACCORDING TO YAP, REPORTER LISTENED SYMPATHETICALLY AND AGREED TO DO WHAT HE COULD TO HELP. YAP BELIEVES RESULT WAS EDITORIAL, WHICH HIGHLY PLEASED BUSINESS COMMUNITY.

4. REGARDING JOINT COMMITTEE, YAP STATED THAT ITS ESTABLISHMENT REPRESENTED FIRST PART OF TWO-STEP STRATEGY AGREED BY FOUR MAJOR BUSINESS ASSOCIATIONS IN MALAYSIA -- CHINESE, MALAY AND INTERNATIONAL CHAMBERS AND FMM. FIRST STEP CALLS FOR ESTABLISHMENT OF JOINT COMMITTEE TO WORK ON IMPLEMENTING REGULATIONS. SECOND STEP CALLS FOR COMMITTEE TO OBTAIN VITAL POWER TO REVIEW APPROVALS AND DENIALS OF APPLICATIONS BY MTI BUREAUCRACY. YAP AGREED WITH COMATT'S OBSERVATION THAT SECOND STEP GOING TO BE MUCH HARDER TO OBTAIN THAN FIRST.

5. YAP STATED THAT ESTABLISHMENT OF JOINT COMMITTEE ACHIEVED ONE OF FMM'S MOST IMPORTANT OVERALL OBJECTIVES -- CREATION OF PRESSURE GROUP WITH IMMEDIATE AND FREQUENT ACCESS TO HAMZAH. THIS IMPORTANT BECAUSE PRIVATE SECTOR BELIEVES HAMZAH TO BE WEAK AND VACILLATING, AND PRONE TO BEING SWAYED BY MOST RECENT ADVISE HE HAS RECEIVED. COMMITTEE WILL THUS BE IN A POSITION TO COUNTER MALIGN INFLUENCE ON HAMZAH OF WHAT YAP DESCRIBES AS "MTI MAFIA," CONSISTING OF JAMIL JAN, CHAIRMAN OF FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY (FIDA), ZAINUDDIN BIN HAJI DIN, INDUSTRY DIVISION DIRECTOR AND AMBRIN BIN BUANG, INDUSTRY DIVISION ASS'T. DIRECTOR. YAP CHARACTERIZED

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TERIZED TRIO AS REPRESENTING MOST RADICAL PRO-BUMIPUTRA ELEMENT IN GOVERNMENT AND OF LACKING ANY SYMPATHY WITH OR UNDERSTANDING OF INDUSTRY'S NEEDS.

6. YAP ALSO STATED THAT, AT LONG LAST, MALAYSIAN CHINESE ASSOCIATION (MCA) HAD SHOWN FEEBLE FLICKER OF LIFE ON ICA ISSUE. LEE SAN CHOON, MCA PRESIDENT AND MINISTER OF LABOR AND MANPOWER HAD PERSONALLY CALLED ON

HAMZAH TO EXPRESS MCA'S CONCERN OVER ICA'S IMPACT ON CHINESE BUSINESSES (REFTEL). YAP STATED THAT MCA REALIZED THAT IF NO ACTION TAKEN, ONE OF ITS MOST IMPORTANT CONSTITUENTS (BUSINESSMEN) MIGHT TURN AWAY FROM PARTY.

7. YAP BELIEVES THAT NOW UMNO ELECTIONS ARE OVER, CERTAIN DEGREE OF RATIONALITY REAPPEARING WITHIN GOM. HE HOPEFUL THAT RESPONSIBLE BUSINESS VIEWS WILL NOW RECEIVE WIDER AND MORE SYMPATHETIC HEARING. HE ALSO PREDICTS STRONG POSSIBILITY THAT TUN RAZAK MAY EASE HAMZAH OUT OF MTI AND REPLACE HIM WITH SOMEONE BOTH MORE CAPABLE AND HAVING BETTER UNDERSTANDING OF BUSINESS NEEDS.

8. COMMENT. YAP HAS IN PAST REPRESENTED EXCELLENT WEATHERVANE FOR CLIMATE IN CHINESE BUSINESS COMMUNITY. IN PREVIOUS CONVERSATIONS REGARDING ICA, HE EXPRESSED DEEP ANGER AND REVULSION OVER GOM AND UMNO ACTIONS. THUS, HIS PRESENT MOOD OF CAUTIOUS OPTIMISM, TEMPERED BY AN UNDERLYING CYNICISM, STANDS IN SHARP CONTRAST TO HIS EARLIER, ALMOST DEFEATIST VIEWS. TO EXTENT HIS VIEWS MIRROR THOSE OF CHINESE BUSINESSMEN, AND THEY HAVE DONE SO IN PAST, THAT COMMUNITY NOW EXPECTING TO WORK WITH GOM WITH SOME PROSPECT OF PROTECTING ITS (AND BY ASSOCIATION WITH INVESTORS') INTERESTS IN MALAYSIA. HIS CHARACTERIZATION OF "MTI MAFIA," WHILE CONTAINING GRAIN OF TRUTH, PROBABLY REPRESENTS OVERREACTION. BOTH JAMIL JAN AND TO A LESSER EXTENT, ZAINUDDEN HAVE BEEN HELPFUL TO AMERICAN FIRMS IN PAST. AMBRIN, SHO EMBASSY KNOWS QUITE WELL IN HIS ROLE AS STUMBLING BLOCK ON OPIC ISSUE, STRIKES US AS BEING RATHER MORE INEPT THAN EVIL. IN ANY CASE, MORE OPTIMISTIC MOOD  
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IN CHINESE BUSINESS COMMUNITY, REFLECTING NEW MECHANISM FOR WORKING WITH GOM ON BASIS OF RATIONAL SELF-INTEREST, SHOULD FURTHER MODERATE TONE OF DEBATE AND DEGREE OF CONCERN OVER ICA.  
DILLON

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